

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL MEMORANDUM**

**HB 1664 – SB 1633**

March 7, 2016

**SUMMARY OF ORIGINAL BILL:** Repeals the four-year property tax exemption for rural electric cooperatives on newly-constructed cooperative facilities and plants. Requires cooperatives to maintain possession of abandoned property for a length of time determined by statutory requirements. Sets forth distribution options of unclaimed abandoned property available to cooperatives after a period of 18 months.

**CORRECTED FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Expenditures - \$31,300/FY16-17/State Treasurer

Increase Local Revenue – Exceeds \$20,000/Per Project/Property Tax Assessors

Other Fiscal Impact – An average of \$139,800 has been remitted annually to the Unclaimed Property Division from electric cooperatives. Under the provisions of the bill, this property will not be remitted to the state but will be distributed after 18 months by the electric cooperatives.

**CORRECTED IMPACT TO COMMERCE OF ORIGINAL BILL:**

Increase Business Revenue – \$31,300/One –Time  
Exceeds \$20,000/Per Project

Increase Business Expenditures – Exceeds \$20,000/Per Project

**SUMMARY OF AMENDMENT (011685):** Deletes and replaces Section 2 and 3 of the bill such that the amended bill repeals the four-year property tax exemption for rural electric cooperatives on newly-constructed cooperative facilities and plants. In addition, the amended bill requires the Department of Treasury to determine the amount of funds remitted by or on the behalf of each cooperative to the Treasurer which have remained unclaimed for a minimum of 18 months. This determination shall be made by June 30 following each reporting deadline beginning with the deadline of December 31, 2016. The Treasurer shall pay cooperatives, upon request, the aggregate unclaimed balances that exceeds \$100 from their eligible remittances, less a proportionate share of the cost for administering the program as determined by the Treasurer.

**HB 1664 – SB 1633**

Cooperatives are required to place unclaimed property funds received from the Treasurer in their general fund and maintain balances that are sufficient to ensure prompt payment of any unclaimed property claim.

In addition, the amended bill allows any person claiming interest in any unclaimed property for which funds have been delivered by the Treasurer to a cooperative to file a claim with the cooperative holding the funds for the unclaimed property. If the claim is allowed, the cooperative is required to make payment without a deduction for administrative costs or service charges. Claimants whose claims are denied by the cooperative may appeal to the Treasurer. If the Treasurer determines the claim is valid, the cooperative shall issue payment. Each cooperative shall submit an annual report of claims received to the Department of Treasury.

### **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

On February 2, 2016, a fiscal memorandum was issued for the bill as amended by amendment 011685 with an estimated impact as follows:

*Increase State Expenditures - \$40,000/Unclaimed Property Division*

*Increase Local Revenue – \$40,000/Utility Cooperatives  
Exceeds \$20,000 Per Project/Local Government*

On March 6, 2016, a corrected fiscal note was issued for the original bill with a new fiscal impact, a new impact to commerce, and corrected assumptions relative to both impacts. As a result, this fiscal memorandum for the bill as amended is being corrected to reflect such changes. Therefore, the corrected impact for the bill as amended is estimated as follows:

**(CORRECTED)**

**Increase Local Revenue – Exceeds \$20,000/Per Project**

**Other Fiscal Impact – The Unclaimed Property Division will distribute an estimated \$40,000 per year in requested unclaimed property funds to electric cooperatives.**

Corrected assumptions for the bill as amended relative to tax exemption:

- Based on information from the Tennessee Electric Cooperative Association's website, there are 23 electric cooperatives in Tennessee.
- At least one electric cooperative is planning to build a new headquarters that would qualify under current law for the current four-year tax exemption.
- The extent of any local property taxes that would be paid on any newly-constructed electric cooperative facility or plant is unknown and dependent on specifics related to any such new facility; however, such amount is reasonably estimated to exceed \$5,000 per year.
- Therefore, the repeal on the current four-year electric cooperative property tax exemption is reasonably estimated to generate an increase in local property tax revenue

of at least \$5,000 per fiscal year for each of the four years following completed construction; thus, a total increase in local revenue estimated to exceed \$20,000 per project.

Corrected assumptions for the bill as amended relative to unclaimed property:

- Pursuant to Tenn. Code Ann. § 66-29-113 and § 66-29-115, all holders of unclaimed property are currently required to report and remit such property to the Department of Treasury.
- According to the State Treasurer's Office, upon receipt of the report and the unclaimed property, the Division of Unclaimed Property attempts to locate owners of the property through notice and publication.
- Cooperatives will request all unclaimed property funding available from the Treasurer.
- Upon request, the Treasurer will distribute the amount of eligible funds remitted by each cooperative that have remained unclaimed for a minimum of 18 months.
- Based on information from the Treasurer's Office, the recurring distribution of unclaimed funds to the remitting cooperatives is estimated to be \$40,000 per year from the Division of Unclaimed Property.

## **IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:**

**(CORRECTED)**

**Increase Business Revenue – Exceeds \$20,000/Per Project**

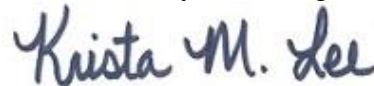
**Increase Business Expenditures – Exceeds \$20,000/Per Project**

Assumption for the bill as amended:

- Cooperatives will utilize a customer rate increase to offset the local property taxes due on newly constructed facilities and plants. The total increase in expenditures and revenue to electric cooperatives is estimated to exceed \$20,000 per project over the four year period after construction.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

amj/